

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-01 INR-07  
NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02  
LAB-04 SIL-01 OMB-01 AGRE-00 /067 W  
-----076359 200918Z /21

R 200600Z JAN 78  
FM AMEMBASSY SOFIA  
TO SECSTATE WASHDC 4029  
INFO AMEMBASSY ATHENS  
AMEMBASSY BELGRADE  
AMEMBASSY BERLIN  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMEMBASSY MOSCOW  
AMEMBASSY PARIS  
AMEMBASSY PRAGUE  
USMISSION USNATO  
AMEMBASSY WARSAW  
USDOC WASHDC

UNCLAS SECTION 1 OF 2 SOFIA 0113

ATHENS FOR AGATT  
PARIS FOR USEEC

E.O. 11652: N/A  
TAGS: ECON, BU  
SUBJECT: BULGARIAN ECONOMIC RESULTS FOR 1977 SHOW SLOWDOWN

1. SUMMARY: THE PERFORMANCE OF THE BULGARIAN ECONOMY DURING 1977 WAS NOT STRONG. ALL MAJOR GROWTH INDICATORS FAILED TO ACHIEVE THEIR TARGETS, MANY BY WIDE MARGINS. CONSEQUENTLY, THE 1976-80 FIVE YEAR PLAN HAS EVIDENTLY BEEN REVISED DOWNWARD, AS MANY OF THE PLAN'S GOALS ARE NOW CLEARLY BEYOND REACH. THE CENTRAL PLANNERS SEEM TO BE RECONCILED TO THE FACT THAT THE ORIGINAL 5YP WAS  
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SIMPLY TOO AMBITIOUS A DOCUMENT.

2. A NUMBER OF NATURAL CALAMITIES TOOK THEIR TOLL DURING THE YEAR. ACCORDING TO COUNCIL OF MINISTERS CHAIRMAN STANKO TODOROV, LOSSES TO THE ECONOMY FROM FROSTS, DROUGHTS, FLOODS, AND TWO EARTHQUAKES AMOUNTED TO A SAGGERING 1.5 BILLION LEVA, MORE THAN 9 PERCENT OF GROSS

NATIONAL INCOME. AGRICULTURE, AND ESPECIALLY THE FRUIT CROP, WAS HARDEST HIT. HOWEVER, INDUSTRIAL PERFORMANCE WAS NOT GOOD EITHER AS INDUSTRIAL PRODUCTION AND LABOR PRODUCTIVITY BOTH SHOWED DECLINING RATES OF GROWTH. NATIONAL INCOME GROWTH RATE WAS ALSO DOWN, FROM 7.0 PERCENT IN 1976 TO 6.4 PERCENT IN 1977.

3. AMONG INDUSTRIAL SECTORS, THE MACHINE BUILDING AND METALS PROCESSING AND THE CHEMICAL AND RUBBER INDUSTRIES BOTH DID WELL. HOWEVER, THE LATTER INDUSTRY, DESIGNATED A LEADING GROWTH INDUSTRY DURING THE CURRENT 5YP, WILL NOT MEET THE 1980 TARGET CALLING FOR AN 80 PERCENT GROWTH OVER 1975. END SUMMARY.

4. DATA RECENTLY RELEASED REGARDING 1977 ECONOMIC RESULTS AND PLANS FOR 1978 INDICATE THAT THE BULGARIAN ECONOMY EXPERIENCED A DEFINITE SLOW DOWN IN ITS RATE OF GROWTH. THIS CAN BE ATTRIBUTED IN PART TO VERY BAD AGRICULTURAL PERFORMANCE; HOWEVER, INDUSTRIAL INDICATORS ALSO SHARED IN THE SLOW DOWN IN GROWTH RATES.

5. AGRICULTURE. PRELIMINARY INDICATORS ARE THAT 1977 WILL BE THE WORST YEAR OF THE PAST DECADE FOR AGRICULTURE. VERY LITTLE DATA HAS BEEN PUBLISHED, BUT IT IS POSSIBLE THAT THE RATE OF GROWTH MAY EVEN BE NEGATIVE. TOTAL GROWTH FOR THE SECTOR HAD BEEN PLANNED TO HIT 4.0-4.4 UNCLASSIFIED

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PERCENT FOR 1977. 1978'S GOAL IS NOW SET AT 5.0 PERCENT, HIGHER THAN THE AVERAGE OVER THE PAST TEN YEARS, BUT STILL NOT IMPRESSIVE FOLLOWING 1977'S POOR SHOWING. THE SMALLER AGRICULTURAL OUTPUT WILL HAVE FURTHER RAMIFICATIONS FOR BULGARIA'S HARD CURRENCY POSIION (EXPORTS OF AGRICULTURAL PRODUCTS BEING A SIGNIFICANT HARD CURRENCY EARNER), FOR BULGARIA'S INTRA-CEMA TRADE (BULGARIA PROVIDES OVER 20 PERCENT OF THE TOTAL FOODSTUFFS IMPORTED BY THE OTHER CEMA MEMBERS), AND FOR THE DOMESTIC POPULACE WHICH CAN EXPECT FURTHER BELT TIGHTENING AS PLANNERS CUT BACK DOMESTIC SUPPLIES TO MEET FOREIGN COMMITMENTS.

6. THE FRUIT CROP WAS ESPECIALLY HARD HIT BY LATE SPRING FROSTS, WITH LOSSES IN SOME REGIONS REACHING 90 PERCENT OF THE CROP.

7. INDIRECTLY INDICATBIVE OF THE POOR RESULTS FOR THE YEAR, THE 1978 PLAN CALLS FOR FRUIT PRODUCTION TO JUMP 64 PERCENT (COMMENT: IF A "NORMAL" YEAR'S INCREASE IS 5 PERCENT, THEN LAST YEAR'S CROP WAS ONLY SOME 2/3RDS THAT OF A NORMAL YEAR. END COMMENT), GRAIN PRODUCTION IS TO JUMP 36 PERCENT, AND SUNFLOWERS, VEGETABLES AND

SUGAR BEETS EACH ARE TO GAIN 20 PERCENT; THE ORIENTAL TOBACCO CROP IS SLATED FOR A 14 PERCENT INCREASE. NO SEPARATE FIGURES WERE GIVEN, BUT THE TOTAL FRUIT AND VEGETABLE CROP IS PLANNED TO REACH 5.1 MILLION METRIC TONS. GRAIN OUTPUT IN 1978 IS SCHEDULED TO BE 9.1 MILLION TONS. OUTPUT FOR 1977 IS INFERRED TO BE 6.7 MILLION TONS.

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8. INDUSTRY. INDUSTRIAL PRODUCTION, UP 7.3 PERCENT, LAGGED BEHIND THE SCHEDULED RATE OF 9.2 PERCENT. THE FIGURE FOR 1978 HAS BEEN PLACED AT A MORE REALISTIC 7.7 PERCENT, WELL BELOW THE 9.2 PERCENT ANNUAL AVERAGE ENVISAGED BY THE CURRENT 5YP, BUT PROBABLY STILL A BIT AMBITIOUS. ONE REASON FOR THE SLOWDOWN IN INDUSTRIAL GROWTH MAY BE FOUND IN LABOR PRODUCTIVITY. DURING THE CURRENT PHASE OF INTENSIVE ECONOMIC GROWTH (WITH MOST INCREMENTS TO INDUSTRIAL PRODUCTION ARISING FROM INCREASED LABOR PRODUCTIVITY), LABOR PRODUCTIVITY HAS SHOWN SLOWER GROWTH. THE PLAN HAD CALLED FOR PRODUCTIVITY TO JUMP 8.1 PERCENT BUT ACTUAL INCREASE WAS ONLY 7.3 PERCENT,

DOWN FROM 1976'S RATE OF 8.0 PERCENT. GROWTH OF  
NATIONAL INCOME ALSO SLOWED DOWN TO 6.4 PERCENT FROM  
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7.0 PERCENT IN 1976. THE 1977 PLAN HAD CALLED FOR AN  
8.2 PERCENT INCREASE. DURING 1978, NATIONAL INCOME IS  
SLATED FOR A MODERATE 6.8 PERCENT INCREASE, CONSIDERABLY  
BELOW EARLIER PLANNED GROWTH RATES.

9. THE CONSUMER SIDE OF THE ECONOMY ALSO REFLECTED  
THE GENERAL SLOWDOWN IN THE ECONOMY. RETAIL TRADE GREW  
ONLY 3.7 PERCENT (THE PLAN HAD CALLED FOR 7.0 PERCENT)  
COMPARED WITH 1976'S RATE OF 7.3 PERCENT. THIS WAS DUE  
IN PART TO SHORTAGES OF AGRICULTURAL GOODS ON THE MARKET.  
INDICATIVE OF THE TIGHTNESS OF THE CURRENT PLAN, AND THE  
EMPHASIS BEING PLACED ON INDUSTRIAL OUTPUT, RETAIL TRADE  
TURNOVER IS EXPECTED TO INCREASE ONLY 4.4 PERCENT DURING  
THE CURRENT YEAR. ALSO SHOWING THE SAME TREND, REAL  
INCOME, A MEASURE OF CONSUMER PURCHASING POWER, IS  
SCHEDULED FOR ONLY A 3.6 PERCENT INCREASE THIS YEAR. THE  
PLAN FOR 1977 CALLED FOR A 4.5 PERCENT JUMP, COMPARED  
WITH AN ACTUAL 4.4 PERCENT GROWTH IN 1976, BUT NO FIGURE  
HAS YET BEEN GIVEN FOR 1977.

10. ANOTHER AREA OF CONSUMER CONCERN DID NOT DO WELL.  
HOUSING CONSTRUCTION (I.E., GENERALLY SMALL 2-3 ROOM  
APARTMENTS) HIT ONLY 67,000 UNITS FOR THE YEAR, UP FROM  
63,000 IN 1976, BUT FAR SHORT OF THE 80,000 PLANNED FOR  
1977. PROBABLY TO BOOST SAGGING MORALE OF WOULD-BE  
HOMEOWNERS, THE PLAN FOR 1978 CALLS FOR 82,600 UNITS  
TO BE BUILT. 70,000 SEEMS MORE REALISTIC.

11. NO FIGURES WERE GIVEN FOR CAPITAL INVESTMENTS DURING  
1977. THE PLAN HAD CALLED FOR SUCH INVESTMENT TO REACH  
5.7 BILLION LEVA DURING THE YEAR, AND 5.95 BILLION IS  
THE TARGET FIGURE FOR 1978. ACCORDING TO PUBLIC REPORTS,  
70 PERCENT OF THIS INVESTMENT IS TO GO TO IMPROVING  
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EXISTING STRUCTURES.

12. SOME RESULTS FROM INDUSTRY: CHEMICALS AND RUBBER  
UP 12.7 PERCENT, 3.2 PERCENTAGE POINTS BELOW PLAN, BUT  
UP FROM 1976'S RATE OF ONLY 5.1 PERCENT. PLANS FOR 1978  
CALL FOR AN 11.1 PERCENT JUMP. IT IS NOW CERTAIN THAT THE  
5YP GOAL OF AN 80 PERCENT INCREASE IN THE CHEMICAL SECTOR

WILL NOT BE MET. IT WILL MORE LIKELY SHOW A 60-65 PERCENT GROWTH. THE MACHINE TOOLS AND METALS PROCESSING INDUSTRY, HOWEVER, CONTINUED TO SHOW IMPROVEMENT, WITH 1977'S GROWTH RATE HITTING 14.2 PERCENT. THE PLAN CALLS FOR A 13.7 PERCENT JUMP IN 1978. HOWEVER, THIS INDUSTRY EVIDENTLY CONTINUES TO BE PLAGUED BY ORGANIZATIONAL PROBLEMS. THE PERIPATETIC METALLURGY BRANCH LAST NOVEMBER WAS REMOVED FROM THE PURVIEW OF THE MINISTRY OF MACHINEBUILDING AND METALLURGY AND MERGED WITH THE OLD MINISTRY OF NATURAL RESOURCES TO FORM THE MINISTRY OF NATURAL RESOURCES AND METALLURGY (77 SOFIA 2364). THIS REORGANIZATION IS LIKELY TO LEAD TO SOME SLOWDOWN IN THE BRANCH UNTIL THE REORGANIZATION IS SOLIDIFIED.

GARTHOFF

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## Message Attributes

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